

engaged in or are about to engage in any act or practice constituting a violation of any provision of the Act.

2. Venue is proper pursuant to § 11-51-602(1), C.R.S. in the district court for the city and county of Denver.

DEFENDANTS

3. Defendant Kevin Tennant (“Tennant”) is an adult male individual whose last known address is 944 West Moreno Avenue, Colorado Springs, Colorado 80905.

4. Defendant Hulen Holdings, Inc. (“Hulen”) is a corporation organized under the laws of the state of Colorado. Hulen has a last known business address registered with the Secretary of State at 4260 Morning Sun Avenue, Suite 10, Colorado Springs, Colorado 80918. Tennant is the president and an owner of Hulen.

GENERAL ALLEGATIONS

5. This case involves the fraudulent offer and sale of securities in the form of limited liability partnership (“LLP”) interests in an oil and gas venture. Tennant and Hulen (collectively, “Defendants”) promised investors returns in the form of working interests (.25%) and net revenue interests (.18%) on wells that were to be drilled by Hulen as the managing partner.

6. Although promising returns to investors, the investment failed. Investor funds were comingled and utilized by Tennant and another owner of Hulen named Harrison Owens (“Owens”) for personal expenses including the payment of personal rent and the acquisition of automobiles. The promised well was not drilled, and at the end, Tennant cleaned out the remaining funds for personal use. The Defendants, who were not licensed in Colorado to sell securities, failed to make full disclosures regarding the investments, including use of the investor funds for personal expenditures.

7. The LLP interests sold to investors are securities as contemplated by § 11-51-201(17), C.R.S. in that they are at least investment contracts and/or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease.

The Sales Operations

8. The Defendants obtained funds from at least two investors. Both known investors, MF and KO, were solicited by Owens following a previous investment in different oil and gas operations.

9. In exchange for investing in Hulen, investors received two documents – a subscription agreement and limited power of attorney, and an application that they were required to sign and return with their investment funds.

10. Investor MF was solicited by Owens following a previous relationship with a different investment. When Owens reached out to MF, it was explained that Owens had left his previous employment to join Hulen Holdings. MF later learned that Owens was terminated by the previous employer following improper solicitations that ultimately resulted in a Desist and Refrain Order being issued against Owens and the employer.

11. During the course of the solicitation, Owens arranged for a teleconference with Owens, Tennant, an outside third-party, and MF in order to explain the proposed project. Shortly after, MF signed a subscription agreement and power of attorney investing \$14,300 to acquire a .25% working interest and .18 net revenue interest.

12. Pursuant to the terms of the LLP subscription agreement, Hulen is designated as the managing partner, with the funds to be used to invest “in a group of wells with a specified cost for drill and test; completion of well and frac stimulation....”

13. Despite the nature of the investment, large amounts of detail were omitted from the document, and investors were simply told that they would “in fact receive a detailed Limited Liability Partnership in the near future....”

14. Investor KO likewise invested in Hulen following a similar solicitation from Owens. Hulen invested the same \$14,300 amount and received the same working interest and net revenue interest. Like investor MF, KO was required to sign subscription agreements and was promised that he would receive more detailed documents at a later date.

15. The Defendants did not keep their promises. The wells were never drilled and investor funds were used to pay the personal expenses of Tennant and Owens.

16. In connection with the offer and sale of the Hulen securities, the Defendants represented to investors MF and KO that their funds would be used to invest in oil and gas interests. In reality, and contrary to the Defendants' assertions, investment funds were not invested in the oil and gas interests.

17. Instead, investor funds were comingled with personal funds. Investor funds were transferred directly to the personal account of Tennant's checking account, where funds were used to pay personal expenses. Other funds that were not transferred were used to pay the business expenses of Hulen. Among the items purchased was an automobile for Owens. Other funds were used to pay a utility deposit for Owens, and in one instance, \$1,000 was transferred to an individual in the hopes that he would invest. Ultimately, the remaining funds in the account were cleared out by the Defendants.

FIRST CLAIM FOR RELIEF
(Securities Fraud)
(All Defendants)

18. Paragraphs 1 through 17 are incorporated herein by reference.

19. In connection with the offer, sale, or purchase of securities in Colorado, Tennant and Hulen, directly or indirectly:

- a. employed a device, scheme or artifice to defraud;
- b. made written and oral untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices or courses of business which operated and would operate as a fraud and deceit on investors;

all in violation of § 11-51-501(1), C.R.S.

20. Tennant and Hulen offered or sold securities by means of untrue statements of material fact or omissions to state material facts necessary in

order to make the statements, in light of the circumstances under which they were made, not misleading (the buyers not knowing of the untruths or omissions), and therefore these defendants are liable to the Commissioner for damages under § 11-51-604(4), C.R.S., by operation of § 11-51-602(2), C.R.S. (based on violations of § 11-51-501(1)(b), C.R.S.).

21. The Commissioner is entitled to an award of damages, interest, costs, attorneys' fees, restitution, disgorgement and other equitable relief on behalf of persons injured by the conduct of Tennant and Hulen pursuant to §§ 11-51-602(2) and 604(4), C.R.S. (based on violations of § 11-51-501, C.R.S.), and restitution, rescission, disgorgement, or other equitable relief on behalf of all persons injured by the acts and practices described in this claim for relief pursuant to § 11-51-602(2), and the Commissioner is further entitled to a temporary and permanent injunction against these defendants, their officers, directors, agents, servants, employees, and successors; any person who directly or indirectly, through one or more intermediaries, controlled or is controlled by or is under the common control with any of these defendants, and all those in active concert or participation with any of these defendants pursuant to § 11-51-602, C.R.S., based on violations of § 11-51-501, C.R.S., enjoining the conduct alleged above.

WHEREFORE, the Commissioner requests relief as follows:

1. For temporary and permanent injunctive relief against all Defendants, their agents, servants, employees, and successors; any person who, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with; and all those in active concert or participation with Defendants, enjoining the violations of all Defendants of the Colorado Securities Act or successor statute.

2. For judgment in an amount to be determined at trial against all Defendants for restitution, disgorgement and other equitable relief pursuant to § 11-51-602(2), C.R.S. For damages, rescission, interest, costs, reasonable attorneys fees, and such other legal and equitable relief, pursuant to §§ 11-51-604(1), (2)(a) (4), C.R.S. as the Court deems appropriate. All of the preceding relief is sought on behalf of the persons injured by the acts and practices of all Defendants that constitute violations of the Act.

3. For an Order imposing a constructive trust on the fraudulently obtained funds held by each Defendant, or any entity controlled by them, and to order these Defendants to account for and disgorge all funds fraudulently obtained by them from the investors and transferred to them.

4. For such other and further relief as the court deems proper.

Dated this 7th day of August, 2014.

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